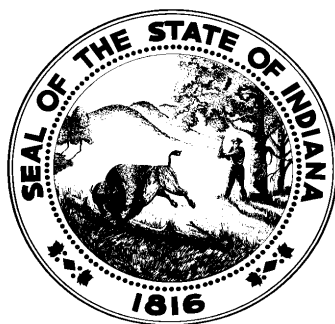


# 2001

## Indiana State Teachers' Retirement Fund

2001 Fiscal  
Operations Report

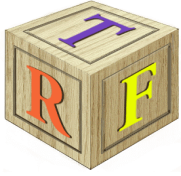


### Board of Trustees

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William E. Christopher, Ph.D.



# Indiana State Teachers' Retirement Fund

**FRANK O'BANNON, Governor**  
**WILLIAM E. CHRISTOPHER, Ph.D., Director**

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October 29, 2001

The Honorable Frank O'Bannon  
Governor of Indiana  
Members of the Indiana General Assembly  
State House  
Indianapolis, Indiana 46204

Dear Governor and Members of the Indiana General Assembly:

It is our privilege to submit the Operation's Report of the Indiana State Teachers' Retirement Fund (ISTRF) for fiscal year 2001 pursuant to I.C. 5-10.2-2-1(b). Included in this report is information covering various financial statements, investments, statistical, and actuarial information that will provide a detailed explanation of the Fund's activities.

On July 1, 2000, ISTRF became an independent body corporate and politic. In connection with the implementation of this law, the Trustees and staff adopted seven Goals and Objectives. They are:

- a. to provide a professional, stimulating work environment which enhances the staff's ability to deliver a high level of service to members and ISTRF;
- b. to significantly improve the funding status by taking measurable steps toward full funding;
- c. to provide a high quality benefits package for members;
- d. to improve the level and quality of service to members and local school districts;
- e. to efficiently administer the operations of the Fund to enable it to effectively fulfill its mission;
- f. to prudently manage the Fund's investments through a state of the art investment program in order to position the Fund to meet future challenges and opportunities; and
- g. provide informed and effective leadership to the Fund.

ISTRF recently participated in a benchmarking analysis project designed to measure our customer service and quality performance in relation to other public retirement systems. Cost Effective Measurement, Inc. (CEM) evaluated 35 pension systems from the United States and abroad. The results of the project indicated that ISTRF is high in overall service performance. Calls, estimates, and pension inceptions were all within the top ten.

Additionally, in just one year ISTRF and the legislature worked together to decrease the \$7.7 billion unfunded liability to \$7.5 billion and will continue to work together to further reduce the unfunded liability.

The Honorable Frank O'Bannon  
Members of the Indiana General Assembly  
October 29, 2001  
Page 2

ISTRF continues to outperform its peers and despite the decrease in the market, ISTRF has remained solid. The Board of Trustees has steadily researched and educated itself with respect to private equities. The development of Board sub-committees is evidence of the Fund's commitment in this area.

As ISTRF positions itself for the future, we pledge to continue excellent service to ensure our members' retirement security.

Respectfully submitted,

William E. Christopher, Ph.D.  
Executive Director

# Mission Statement

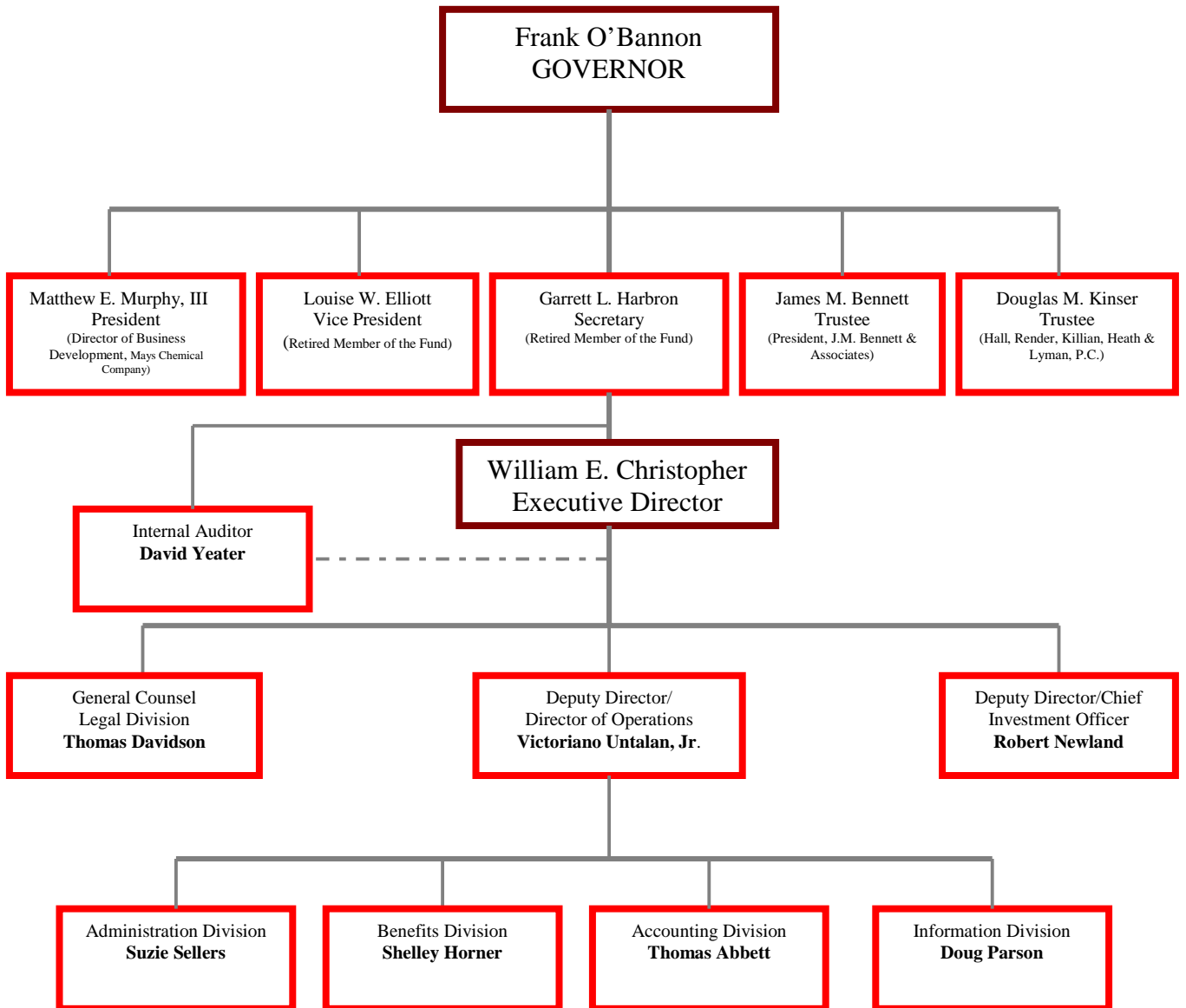
The mission of the Indiana State Teachers' Retirement Fund is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to its members, while demonstrating responsibility to the citizens of the State.

---

## Core Values

The Indiana State Teachers' Retirement Fund, as an organization, holds the following core values in all of its working relationships:

- ♦ professionalism, respect, and compassion in dealing with others;
- ♦ diversity, both of ideas and people;
- ♦ open communication, collaboration, and cooperation;
- ♦ integrity and the avoidance of conflicts of interest;
- ♦ courtesy and timeliness;
- ♦ accountability;
- ♦ innovation and flexibility; and
- ♦ commitment to and focus on our mission



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## *Financial Statements*

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**STATEMENT OF PLAN ASSETS  
AS OF JUNE 30, 2001 AND 2000**

	<u><b>2001</b></u>	<u><b>2000</b></u>
<b>Assets</b>		
Cash and Short-Term Investments	\$ 331,333,426.14	\$ 292,259,210.50
Securities Lending Collateral	717,307,834.85	347,707,350.37
	<u>1,048,641,260.99</u>	<u>639,966,560.87</u>
<b>Receivables</b>		
Employer Contributions Receivable	30,187,377.21	25,733,449.08
Member Contributions Receivable	29,243,019.65	28,054,395.87
Investments Sold	90,162,532.58	37,482,377.48
Investment Income	46,266,482.14	43,130,440.29
Total Receivables	<u>195,859,411.58</u>	<u>134,400,662.72</u>
<b>Investments, at Fair Value</b>		
Bonds	3,204,879,989.85	2,847,218,589.07
Equity Investments	\$2,297,337,667.73	2,370,333,909.52
Real Estate ( at cost)	260,000.00	260,000.00
Total Investments	<u>5,502,477,657.58</u>	<u>5,217,812,498.59</u>
Furniture and Equipment, at cost, net of accumulated depreciation of \$ 353,128.35 and \$ 354,555.69, respectively	<u>13,158.92</u>	<u>22,719.88</u>
Prepaid Expenses	<u>35.79</u>	<u>35.79</u>
Total Assets	6,746,991,524.86	5,992,202,477.85
<b>Liabilities</b>		
Accounts Payable	11,038,137.90	11,420,270.52
Securities Lending Collateral	717,307,834.85	347,707,350.37
Payable for Investments Purchased	<u>207,868,393.92</u>	<u>55,028,071.91</u>
Total Liabilities	<u>936,214,366.67</u>	<u>414,155,692.80</u>
<b>Net Assets held in trust for pension benefits( A schedule of funding progress of the plan is presented on page 3.)</b>		
	\$ <u>5,810,777,158.19</u>	\$ <u>5,578,046,785.05</u>

-Unaudited-

**STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2001 AND 2000**

	<u><b>2001</b></u>	<u><b>2000</b></u>
<b>Additions</b>		
Contributions:		
Employer	\$ 468,982,039.66	\$ 430,544,943.82
Employer - Pension Stabilization	155,000,000.00	162,500,000.00
Employer - 96 Fund	65,237,716.77	54,396,316.01
Fund Member	103,662,291.35	101,626,101.68
Total Contributions	<u>792,882,047.78</u>	<u>749,067,361.51</u>
Investment Income		
Net Appreciation(Depreciation)	(219,426,522.32)	176,225,279.04
Interest	215,319,925.56	206,309,315.35
Dividends	38,876,963.73	24,223,977.94
Securities Lending Income	766,095.16	872,369.98
	<u>35,536,462.13</u>	<u>407,630,942.31</u>
Less Investment Expense:		
Investment Fees	(10,123,214.12)	(9,871,244.54)
Securities Lending Fees	0.00	0.00
Net Investment Income	<u>25,413,248.01</u>	<u>397,759,697.77</u>
Transfers from PERF	<u>1,340,385.57</u>	<u>0.00</u>
Adjustments to Accounts Payable	40.45	(13,537.58)
Gift from Members	0.00	100.00
Transfer of Outdated Checks	<u>121,557.40</u>	<u>(23,026.44)</u>
Total Additions	<u>819,757,279.21</u>	<u>1,146,790,595.26</u>
<b>Deductions</b>		
Benefits	570,057,530.59	524,621,898.07
Voluntary and Death Withdrawals	8,753,977.09	9,439,364.42
Administrative Expense	4,587,782.96	3,484,972.38
Capital Projects	2,028,555.97	1,852,752.47
Depreciation Expenses	9,560.96	65,157.00
Transfers to PERF	<u>1,589,498.50</u>	<u>0.00</u>
Total Deductions	<u>587,026,906.07</u>	<u>539,464,144.34</u>
<b>Net Increase</b>	232,730,373.14	607,326,450.92
<b>Net assets held in trust for pension benefits</b>		
Beginning of year	<u>5,578,046,785.05</u>	<u>4,970,720,334.13</u>
End of Year	<u>\$ 5,810,777,158.19</u>	<u>\$ 5,578,046,785.05</u>

-Unaudited-

### SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/77	\$346	\$2,145	\$1,799	16.13%	\$892	201.68%
6/30/79	417	2,582	2,165	16.15%	1,025	211.22%
6/30/81	484	2,957	2,473	16.37%	1,195	206.95%
6/30/83	747	3,338	2,591	22.38%	1,350	191.93%
6/30/85	1,091	4,023	2,932	27.12%	1,520	192.89%
6/30/87	1,409	4,837	3,428	29.13%	1,752	195.66%
6/30/89	1,737	6,205	4,468	27.99%	2,045	218.48%
6/30/91	2,190	7,182	4,992	30.49%	2,279	219.04%
6/30/92	2,496	7,949	5,453	31.40%	2,416	225.70%
6/30/93	2,812	8,508	5,696	33.05%	2,536	224.61%
6/30/94	2,768	9,087	6,319	30.46%	2,615	241.64%
6/30/95	3,103	9,675	6,572	32.07%	2,729	240.82%
6/30/96	3,263	10,331	7,068	31.58%	2,879	245.50%
6/30/97	3,750	11,044	7,294	33.96%	2,985	244.39%
6/30/98	4,266	11,779	7,513	36.22%	3,095	242.75%
6/30/99	4,971	12,671	7,700	39.23%	3,294	233.76%
6/30/00	5,578	13,115	7,537	42.53%	3,283	229.58%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

(DOLLARS IN THOUSANDS)

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTIONS (a)	CONTRIBUTED BY EMPLOYERS (b)	CONTRIBUTED BY THE STATE (c)	PERCENTAGE CONTRIBUTED ((b + c) / a)
1981	\$181,640	\$2,858	\$107,588	60.80%
1983	181,575	2,503	93,207	52.71%
1985	214,776	5,910	174,399	83.95%
1987	236,695	6,810	129,907	57.76%
1989	319,429	7,804	154,627	50.85%
1991	357,575	8,539	232,861	67.51%
1992	394,291	9,377	197,250	52.40%
1993	413,622	9,180	194,900	49.34%
1994	433,044	11,013	219,782	53.30%
1995	456,835	10,977	228,200	52.36%
1996	488,278	15,907	297,451	64.18%
1997	508,939	28,761	508,867	105.64%
1998	508,260	41,098	424,252	91.56%
1999	524,815	56,650	555,700	116.68%
2000	547,532	70,641	576,800	118.25%
2001	537,789	83,285	605,900	128.15%

# Schedule of Administrative Expenses For the Fiscal Year Ended June 30, 2001

## PERSONAL SERVICES:

TRUSTEES PER DIEMS	\$	11,200.00
STAFF SALARIES		1,143,157.15
SOCIAL SECURITY		86,061.58
RETIREMENT		103,681.94
INSURANCE		200,618.02
PERSONNEL RECLASSIFICATION/ADDITIONAL STAFFING		50,519.04
TEMPORARY SERVICES		<u>47,822.37</u>
TOTAL		<u>1,643,060.11</u>

## PROFESSIONAL & TECHNICAL SERVICES:

ACTUARIAL:		
ACTUARIAL SERVICES	\$	22,435.00
LEGISLATIVE PROJECTIONS		<u>31,530.00</u>
TOTAL ACTUARIAL		53,965.00
DATA PROCESSING(MAINTAIN OLD SYSTEM)		723,793.30
Y2K SERVICES PROVIDED BY STATE OF INDIANA		1,001,700.00
AUDIT		27,200.00
STRATEGIC PLANNING CONSULTING		8,177.00
BENCHMARKING		25,000.00
COMPENSATION CLASSIFICATION CONSULTING		7,500.00
PENSION DEATH RECORD COMPARISON		7,657.00
MEDICAL EXAMINATIONS		420.00
LEGAL SERVICES		<u>115,630.29</u>
TOTAL PROFESSIONAL & TECHNICAL		<u>1,971,042.59</u>

## COMMUNICATION:

PRINTING		242,719.05
TELEPHONE		69,936.50
POSTAGE:		
QUARTERLY MEMBER STATEMENTS	\$	106,224.05
PENSION CHECKS		117,085.22
"PRIMER" NEWSLETTER		61,588.74
TAX STATEMENTS(1099-R'S)		14,755.48
DAILY MAILINGS FROM OFFICE		<u>46,767.91</u>
TOTAL POSTAGE		346,421.40
TRAVEL		
ADMINISTRATIVE	23,616.23	
INVESTMENT		<u>5,629.11</u>
		<u>29,245.34</u>
TOTAL COMMUNICATION		<u>688,322.29</u>

## MISCELLANEOUS:

ADMINISTRATIVE LEGAL SERVICES	5,115.43
MEMBERSHIP & TRAINING	35,208.72
EQUIPMENT RENTAL	19,609.44
OFFICE SUPPLIES	41,535.57
MAINTENANCE	2,600.99
BONDING	1,736.00
OFFICE RENT	<u>179,551.82</u>
TOTAL MISCELLANEOUS	<u>285,357.97</u>

TOTAL ADMINISTRATIVE EXPENSES	<u>4,587,782.96</u>
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-Unaudited-

# Schedule of Investment Expenses

## For the Fiscal Year Ended June 30, 2001

<b>INVESTMENT CUSTODIAL</b>	\$	1,064,653.60
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<b>INVESTMENT CONSULTANT</b>	\$	204,292.47
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**INVESTMENT MANAGEMENT:**

BAXTER CAPITAL MANAGEMENT	\$	162,825.95	
BANK OF NEW YORK		204,008.20	
BANK ONE, INDIANAPOLIS		297,598.27	
TODD INVESTMENT ADVISORS		28,291.50	
ALLIANCE CAPITAL MANAGEMENT		514,949.97	
REAMS ASSET MANAGEMENT		893,039.00	
TAPLIN, CANIDA & HABACHT		101,196.62	
SIEX INVESTMENT ADVISORS		61,167.93	
DRESDNER		624,813.10	
BANK OF IRELAND ASSET MANAGEMENT		694,234.99	
ALLIANCE CAPITAL MANAGEMENT		115,954.77	
J.P. MORGAN		277,035.95	
PIMCO		258,965.00	
EARNEST PARTNERS LLC		38,441.00	
GE ASSET MANAGEMENT		44,924.00	
INSTITUTIONAL CAPITAL CORP		46,500.00	
PACIFIC FINANCIAL RESEARCH, INC.		53,859.00	
ENHANCED INVESTMENT TECHNOLOGIES, INC.		37,667.90	
HOLT- SMITH & YATES ADVISORS		48,865.00	
FOREFRONT CAPITAL ADVISORS LLC		33,429.61	
DRESDNER RCM GLOBAL ADVISORS		43,132.10	
BARCLAYS		80,108.57	
RHUMBLINE ADVISORS		54,045.93	
PUTNAM		320,414.16	
CONSECO		81,595.00	
FRANKLIN		151,183.34	
VALENZUELA CAPITAL PARTNERS		301,000.03	
AELTUS		769,974.00	
TCW		851,048.86	
ARIEL CAPITAL MANAGEMENT		759,114.65	
BRANDYWINE ASSET MANAGEMENT, INC.		<u>779,087.50</u>	
TOTAL MONEY MANAGEMENT FEES			<u>8,728,471.90</u>

TOTAL INVESTMENT SERVICES		<u>9,997,417.97</u>
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ADMINISTRATIVE INVESTMENT EXPENSES		<u>125,796.15</u>
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<b>TOTAL INVESTMENT SERVICES</b>		<u><b>10,123,214.12</b></u>
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-Unaudited-

## Capital Projects

	TRF SHARED COST			PERF/TRF
	<u>FISCAL YEAR 2001</u>	<u>LIFE TO DATE</u>	<u>TOTAL PROJECT</u>	<u>TOTAL PROJECT COST</u>
NEW RETIREMENT INFORMATION SYSTEM				
SYSTEM DESIGN AND DEVELOPMENT	\$ 1,594,407.22	\$ 2,813,097.19	\$ 7,584,699.20	\$ 19,075,508.00 [a]
PROJECT QUALITY ASSURANCE	\$ 133,692.00	\$ 593,742.50	\$ 593,742.50	\$ 869,673.00 [b]
PROJECT MANAGER	\$ 138,964.00	\$ 611,470.00	\$ 611,470.00	\$ 1,343,881.37 [c]
TOTAL	\$ 1,867,063.22	\$ 4,018,309.69	\$ 8,789,911.70	\$ 21,289,062.37
RENOVATE OFFICE SPACE				
CONSTRUCTION AND MATERIALS	\$ 161,492.75	\$ 161,492.75		
<b>TOTAL CAPITAL PROJECTS</b>	<b>\$ 2,028,555.97</b>	<b>\$ 4,179,802.44</b>		

[a] New Retirement Information System combined project of PERF/TRF. The total cost of 13.6M includes the services, software/hardware and license fees. Additional costs to the contract are as follows: Statutory Compliance \$2.36M, Legislative Changes \$.60M and System Modifications/Enhancements/Etc. \$2.49M. PERF and TRF have agreed to share the cost 60/40, respectively. The combined project started in July, 1999, and the full system implementation is expected March 2001. **The vendor for this project is COVANSYS.**

[b] The consultant participated in the search, selection, and negotiation of the system vendor and eventually as the project quality assurance consultant. Since TRF was the principal party of the contract, TRF was responsible for the payment of the services. The new contract, effective October, 2000, has PERF as the principal party of the contract. **The Project Quality Assurance Consultant is GovConnect.**

[c] The consultant participated in the search, selection, and negotiation of the system vendor and as the overall project manager consultant. Since TRF was the principal party of the contract, TRF was responsible for the payment of services. The new contract, effective October, 2000, names PERF as the principal party of the contract. **The Project Manager is L.R. Wechsler, LTD.**

-Unaudited-

# PENSION STABILIZATION FUND

IC 21-6.1-2-8

The pension stabilization fund was created by the 1995 General Assembly to stabilize the state's general fund teacher pension expenditures for the pre-1996 fund.

DATE	TRANSACTION DESCRIPTION	CONTRIBUTIONS	INTEREST EARNED	BALANCE
<b>1995</b>				
JULY 1	ESTABLISHMENT OF ACCOUNT			\$439,700,498.50
<b>1996</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$25,000,000.00		\$464,700,498.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$494,700,498.50
JUNE 30	CONTRIBUTIONS FROM STATE	\$92,851.68		\$494,793,350.18
JUNE 30	INTEREST CREDITED		\$39,573,044.87	\$534,366,395.05
<b>1997</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$24,999,998.97		\$559,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	\$200,000,000.00		\$759,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	\$93,567.95		\$759,459,961.97
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$789,459,961.97
JUNE 30	INTEREST CREDITED		\$45,421,143.58	\$834,881,105.55
<b>1998</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,000,000.00		\$909,881,105.55
JUNE 30	CONTRIBUTIONS FROM STATE	\$78,286.28		\$909,959,391.83
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$939,959,391.83
JUNE 30	INTEREST CREDITED		\$66,790,488.44	\$1,006,749,880.27
<b>1999</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,000,000.00		\$1,081,749,880.27
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,639.23		\$1,081,825,519.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,111,825,519.50
JUNE 30	INTEREST CREDITED		\$80,539,990.42	\$1,192,365,509.92
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME(P.L.		\$148,512,367.47	\$1,340,877,877.39
<b>2000</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$125,000,000.00		\$1,465,877,877.39
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$37,500,000.00		\$1,503,377,877.39
JUNE 30	CONTRIBUTIONS FROM STATE	\$38,810.02		\$1,503,416,687.41
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$15,506,789.63		\$1,518,923,477.04
JUNE 30	INTEREST/EARNINGS CREDITED		\$117,863,098.59	\$1,636,786,575.63
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME		\$35,860,604.81	\$1,672,647,180.44
<b>2001</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$125,000,000.00		\$1,797,647,180.44
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,827,647,180.44
JUNE 30	CONTRIBUTIONS FROM STATE	\$45,735.83		\$1,827,692,916.27
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$19,650,613.19		\$1,847,343,529.46
JUNE 30	INTEREST/EARNINGS CREDITED		(\$14,302,550.56)	\$1,833,040,978.90
				\$1,833,040,978.90

-Unaudited-

## SCHEDULE OF ALLOTMENTS RECEIVED AND ACTUAL PAYOUTS

MONTH*	STATE PENSION(100-745)		
	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)
<b>2000-01</b>			
JULY	\$28,008,224	\$30,166,667	\$2,158,443
AUGUST	\$29,922,348	\$30,166,667	\$244,319
SEPT.	\$29,166,579	\$30,166,667	\$1,000,087
OCT.	\$28,734,873	\$30,166,667	\$1,431,793
NOV.	\$28,365,014	\$30,166,667	\$1,801,653
DEC.	\$28,358,446	\$30,166,667	\$1,808,221
JAN.	\$28,279,455	\$30,166,667	\$1,887,212
FEB.	\$28,233,351	\$30,166,667	\$1,933,315
MARCH	\$28,264,245	\$30,166,667	\$1,902,421
APRIL	\$28,122,391	\$30,166,667	\$2,044,275
MAY	\$28,207,995	\$30,166,667	\$1,958,671
JUNE	<u>\$28,686,464</u>	<u>\$30,166,667</u>	<u>\$1,480,203</u>
	<u>\$342,349,386.81</u>	<u>\$362,000,000.00</u>	<u>\$19,650,613.19</u>

MONTH*	COLA'S(100-743)		
	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)
<b>2000-01</b>			
JULY	\$3,124,569	\$3,458,333	\$333,765
AUGUST	\$3,094,127	\$3,458,333	\$364,207
SEPT.	\$3,072,408	\$3,458,333	\$385,926
OCT.	\$3,046,658	\$3,458,333	\$411,676
NOV.	\$3,023,682	\$3,458,333	\$434,652
DEC.	\$3,002,909	\$3,458,333	\$455,424
JAN.	\$2,962,292	\$3,458,333	\$496,041
FEB.	\$2,935,476	\$3,458,333	\$522,857
MARCH	\$2,910,458	\$3,458,333	\$547,875
APRIL	\$2,886,022	\$3,458,333	\$572,311
MAY	\$2,854,392	\$3,458,333	\$603,941
JUNE	<u>\$2,792,478</u>	<u>\$3,458,333</u>	<u>\$665,855</u>
	<u>\$35,705,470</u>	<u>\$41,500,000</u>	<u>\$5,794,530</u>

\* MONTH REPRESENTS THE MONTH BENEFITS ARE PAYABLE,  
NOT THE MONTH THEY ARE PAID.

-Unaudited-



# 13TH CHECK

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
EXCESS OF RETIRED TEACHER ANNUITY RESERVE OVER ACTUARIAL COMPUTED LIABILITY ON:				
JUNE 30, 2000	\$79,177,323.00			
JUNE 30, 1999		\$78,102,941.00		
JUNE 30, 1998			\$80,905,633.00	
JUNE 30, 1997				\$86,646,914.00
JUNE 30, 1996				
JUNE 30, 1995				
JUNE 30, 1994				
JUNE 30, 1993				
JUNE 30, 1992				
JUNE 30, 1991				
JUNE 30, 1990				
RATE APPLIED ON EXCESS	10.00%	10.00%	10.00%	10.00%
AMOUNT DISTRIBUTED AS 13TH CHECK	\$7,917,720.17	\$7,810,253.65	\$8,090,764.38	\$8,664,691.40
DATE OF PAYMENT	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1
PAYABLE TO EACH RETIRED MEMBER (OR SURVIVOR, OR BENEFICIARY OF RETIRED MEMBER) WHO WAS ENTITLED TO RECEIVE MONTHLY BENEFIT ON:	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1
FORMULA FOR DISTRIBUTION: GRAND TOTAL OF THE SUM OF MEMBER'S YEARS OF TEACHING SERVICE AND THE YEARS OF LAST RETIREMENT COUNTING BACK FROM:				
JULY 2, 2000	\$1,358,387.90			
JULY 2, 1999		1,323,056.70		
JULY 2, 1998			1,294,481 UNITS	
JULY 2, 1997				1,299,038.0 UNITS
JULY 2, 1996				
JULY 2, 1995				
JULY 2, 1994				
JULY 2, 1993				
JULY 2, 1992				
JULY 2, 1991				
JULY 2, 1990				
<b>DOLLAR (\$) RATE PER UNIT</b>	<b>\$5.82885</b>	<b>\$5.89720</b>	<b>\$6.25031</b>	<b>\$6.6701</b>
NUMBER OF RETIREES ENTITLED TO 13TH CHECK	32,994	32,148	31,339	30,677

**HISTORICAL SUMMARY**

<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
\$88,439,172.00	\$88,151,704.00	\$82,309,236.00	\$81,986,077.00	\$75,952,578.00	\$87,459,810.00	\$69,215,195.00
10.00%	10.00%	10.00%	10.00%	10.00%	15.00%	10.00%
\$8,844,401.11	\$8,814,538.09	\$8,230,922.70	\$8,198,598.16	\$7,595,257.80	\$13,118,971.50	\$6,921,380.02
NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1	NOVEMBER 1
OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1	OCTOBER 1
1,227,607.5 UNITS	1,212,776.5 UNITS	1,186,340.4 UNITS	1,158,321.6 UNITS	1,139,186.7 UNITS	1,119,467.8 UNITS	1,098,631.7 UNITS
\$7.2110	\$7.2682	\$6.9400	\$7.08	\$6.66	\$11.71	\$6.30
29,710	29,304	28,630	27,955	27,481	27,013	N/A

## *Actuarial Section*

### ACTUARIAL SUMMARY

	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>CHANGE</u>
PRE- 96 FUND ACTUARIAL ACCRUED LIABILITY	\$7,199,385,932	\$7,441,835,830	(\$242,449,898)
96 FUND ACTUARIAL ACCRUED LIABILITY	<u>\$337,632,726</u>	<u>\$258,369,079</u>	<u>\$79,263,647</u>
TOTAL ACTUARIAL LIABILITY	<u>\$7,537,018,658</u>	<u>\$7,700,204,909</u>	<u>(\$163,186,251)</u>

#### ACTUARIAL ANALYSIS OF CHANGE IN ACTUARIAL LIABILITY FROM PREVIOUS YEAR'S VALUATION:

##### PRE - 96 FUND:

DURING THE YEAR ENDED JUNE 30, 2000, UNFUNDED ACTUARIAL ACCRUED LIABILITY IN THE CLOSED PLAN DECREASED \$242 MILLION. THE DECREASE WAS THE RESULT OF THE ACTUARIAL VALUE OF PLAN ASSETS INCREASING BY \$479 MILLION, WHILE THE ACTUARIAL ACCRUED LIABILITY WAS INCREASING BY \$237 MILLION.

##### 96 FUND:

DURING THE YEAR ENDED JUNE 30, 2000, UNFUNDED ACTUARIAL ACCRUED LIABILITY IN THE 1996 PLAN INCREASED \$79 MILLION. THE NORMAL GROWTH IN LIABILITIES FOR THIS PLAN IS A RESULT OF NEW TEACHERS BEING HIRED AND EXISTING TEACHERS EARNING ANOTHER YEAR OF BENEFIT SERVICE. IN ADDITION, THE ACTUARIAL ACCRUED LIABILITY CONTINUES TO INCREASE AS A RESULT OF THE PRIOR SERVICE RENDERED BY FORMER CLOSED PLAN MEMBERS WHOSE TOTLA SERVICE IS NOW COVERED BY THE 1996 PLAN AS A RESULT OF REHIRE OR CHANGE IN EMPLOYMENT.

##### NOTE:

THE FOLLOWING TWO PAGES CONTAIN ACTUARIAL DETAILS FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND JUNE 30,2000.

## Reported Assets

The accrued assets at market value as of June 30, 2000 were reported to be \$5,578,046,785 and were allocated for valuation purposes as follows:

Reserve Allocation	Closed Plan	New Plan	Totals
<b>Member Reserves:</b>			
Active and Inactive	\$2,699,418,476	\$195,106,376	2,894,524,852
Retired	648,366,105	1,126,062	649,492,167
Totals	<u>\$3,347,784,581</u>	<u>\$196,232,438</u>	<u>\$3,544,017,019</u>
<b>Employer Reserves</b>			
Active	\$ -	\$164,372,009	\$164,372,009
Retired:			
Pension Stabilization Fund	1,672,647,180		1,672,647,180
Other	189,457,525	7,553,052	197,010,577
Totals	<u>\$1,862,104,705</u>	<u>\$7,553,052</u>	<u>\$1,869,657,757</u>
Total Employer Reserves	\$1,862,104,705	\$171,925,061	\$2,034,029,766
<b>Total Reserves</b>	<b>\$5,209,889,286</b>	<b>\$368,157,499</b>	<b>\$5,578,046,785</b>

## Actuarial Accrued Liability: Computed and Unfunded

Amounts at June 30, 2000	Closed Plan	New Plan	Totals
<b>Retired Lives:</b>			
Computed accrued liability	\$3,890,895,561	\$8,679,114	\$3,899,574,675
Reported assets	<u>2,510,470,810</u>	<u>8,679,114</u>	<u>2,519,149,924</u>
Unfunded Accrued Liability	\$1,380,424,751	\$ -	\$1,380,424,751
<b>Active &amp; Inactive Members:</b>			
Computed accrued liability	\$8,518,379,657	\$697,111,111	\$9,215,490,768
Reported assets	<u>2,699,418,476</u>	<u>359,478,385</u>	<u>3,058,896,861</u>
Unfunded Accrued Liability	\$5,818,961,181	\$337,632,726	\$6,156,593,907
<b>ISTRF Total:</b>			
Computed accrued liability	\$12,409,275,218	\$705,790,225	\$13,115,065,443
Reported assets	<u>5,209,889,286</u>	<u>368,157,499</u>	<u>5,578,046,785</u>
<b>Unfunded Accrued Liability</b>	<b>\$7,199,385,932</b>	<b>\$337,632,726</b>	<b>\$7,537,018,785</b>

The report of the annual actuarial valuation as of June 30, 2000

## Reported Assets

The accrued assets at market value as of June 30, 1999 were reported to be \$4,970,720,334 and were allocated for valuation purposes as follows:

Reserve Allocation	Closed Plan	New Plan	Totals
<b>Member Reserves:</b>			
Active and Inactive	\$2,499,589,748	\$125,941,057	2,625,530,805
Retired	<u>625,058,387</u>	<u>498,774</u>	<u>625,557,161</u>
Totals	<u>\$3,124,648,135</u>	<u>\$126,439,831</u>	<u>\$3,251,087,966</u>
<b>Employer Reserves</b>			
Active	\$ -	\$110,209,623	\$110,209,623
Retired:			
Pension Stabilization Fund	1,340,877,877		1,340,877,877
Other	<u>265,140,408</u>	<u>3,404,460</u>	<u>268,544,868</u>
Totals	<u>\$1,606,018,285</u>	<u>\$3,404,460</u>	<u>\$1,609,422,745</u>
Totals	<u>\$1,606,018,285</u>	<u>\$113,614,083</u>	<u>1,719,632,368</u>
Total Employer Reserves	\$1,862,104,705	\$171,925,061	\$2,034,029,766
<b>Total Reserves</b>	<b>\$4,730,666,420</b>	<b>\$240,053,914</b>	<b>\$4,970,720,334</b>

## Actuarial Accrued Liability: Computed and Unfunded

Amounts at June 30, 2000	Closed Plan	New Plan	Totals
<b>Retired Lives:</b>			
Computed accrued liability	\$3,659,118,423	\$3,903,234	\$3,663,021,657
Reported assets	<u>2,231,076,672</u>	<u>3,903,234</u>	<u>2,234,979,906</u>
Unfunded Accrued Liability	\$1,428,041,751	\$ -	\$1,428,041,751
<b>Active &amp; Inactive Members:</b>			
Computed accrued liability	\$8,513,383,027	\$494,519,759	\$9,007,902,786
Reported assets	<u>2,499,589,748</u>	<u>236,150,680</u>	<u>2,735,740,428</u>
Unfunded Accrued Liability	\$6,013,793,279	\$258,369,079	\$6,272,162,358
<b>ISTRF Total:</b>			
Computed accrued liability	\$12,172,501,450	\$498,422,993	\$12,670,924,443
Reported assets	<u>4,730,666,420</u>	<u>240,053,914</u>	<u>4,970,720,334</u>
<b>Unfunded Accrued Liability</b>	<b>\$7,441,835,030</b>	<b>\$258,369,079</b>	<b>\$7,700,204,109</b>

The report of the annual actuarial valuation as of June 30, 1999

## *Investment Section*

**ANNUITY SAVINGS ACCOUNT INVESTMENT OPTION RATES  
OF RETURN FOR THE FISCAL YEAR ENDING JUNE 30:**

	2001	2000	1999*
S&P500 Index Fund	-14.71%	7.21%	36.37%
Small Cap Equity Fund	7.58%	38.65%	34.66%
International Fund	-24.13%	26.27%	29.74%
Bond Fund	11.08%	5.99%	1.04%
Guaranteed Fund	7.75%	7.75%	8.00%

\*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

**RATES OF RETURN FOR EMPLOYER INVESTMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30:**

	2001	2000	1999*
Large Cap Equities	-13.91%	6.74%	30.03%
Mid Cap Equities	1.87%	29.31%	0.00%
Small Cap Equities	7.87%	39.56%	35.26%
International Equities	-24.38%	23.39%	29.15%
Fixed Income	11.23%	4.83%	3.07%
COMPOSIT RETURN	2.08%	10.05%	12.35%

\*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

**EMPLOYER ASSET ALLOCATION**

**@6/30/01 @6/30/00 @6/30/99**

	@6/30/01	@6/30/00	@6/30/99
Large Cap Equities	23%	28%	28%
Mid Cap Equities	5%	6%	0%
Small Cap Equities	6%	6%	5%
International Equities	8%	8%	5%
Fixed Income	57%	52%	62%
TOTAL	100%	100%	100%

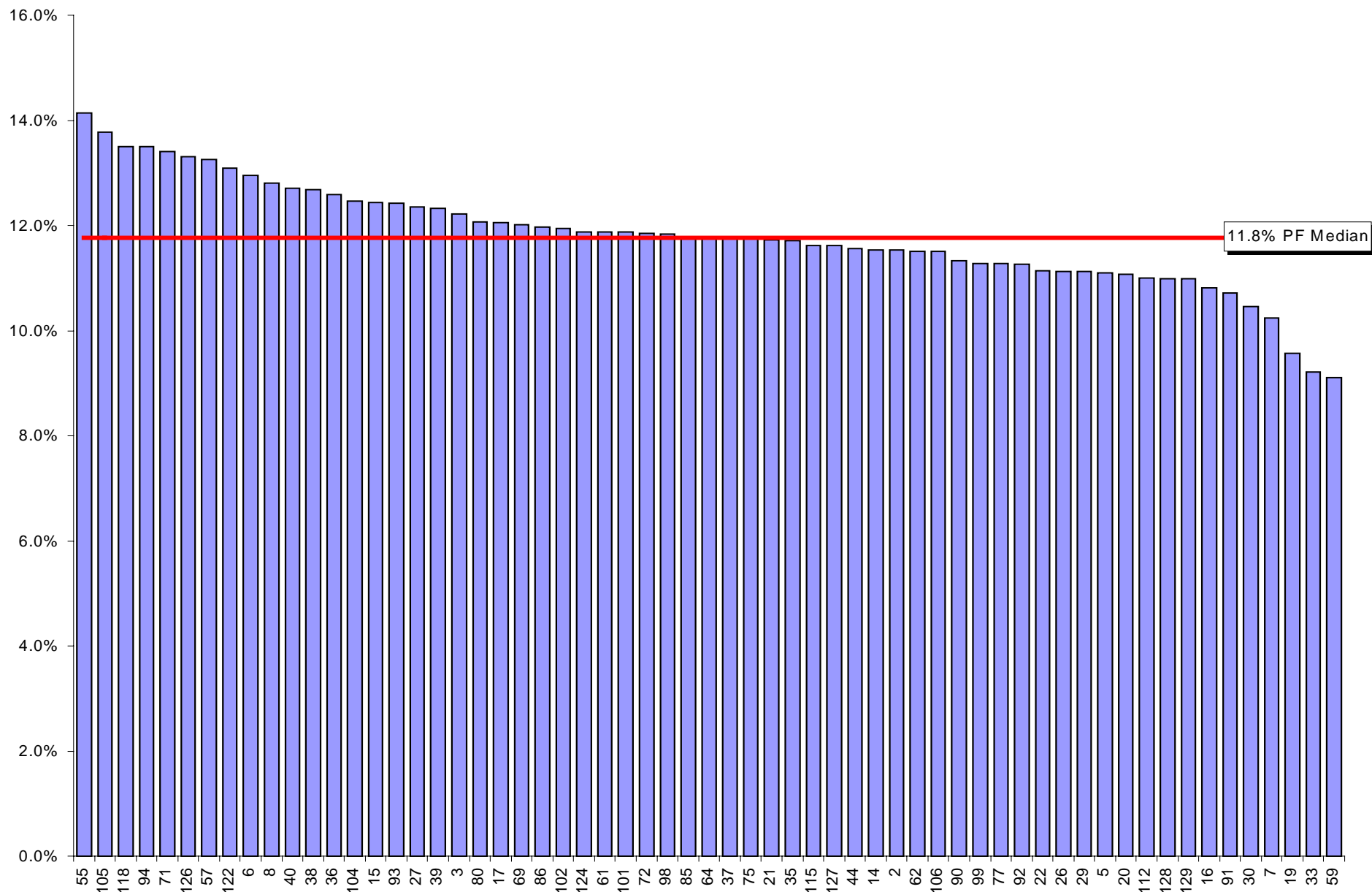


# Annualized Total Fund Returns

5 Years Ending

June30, 2001

- 61 funds provided total fund return data



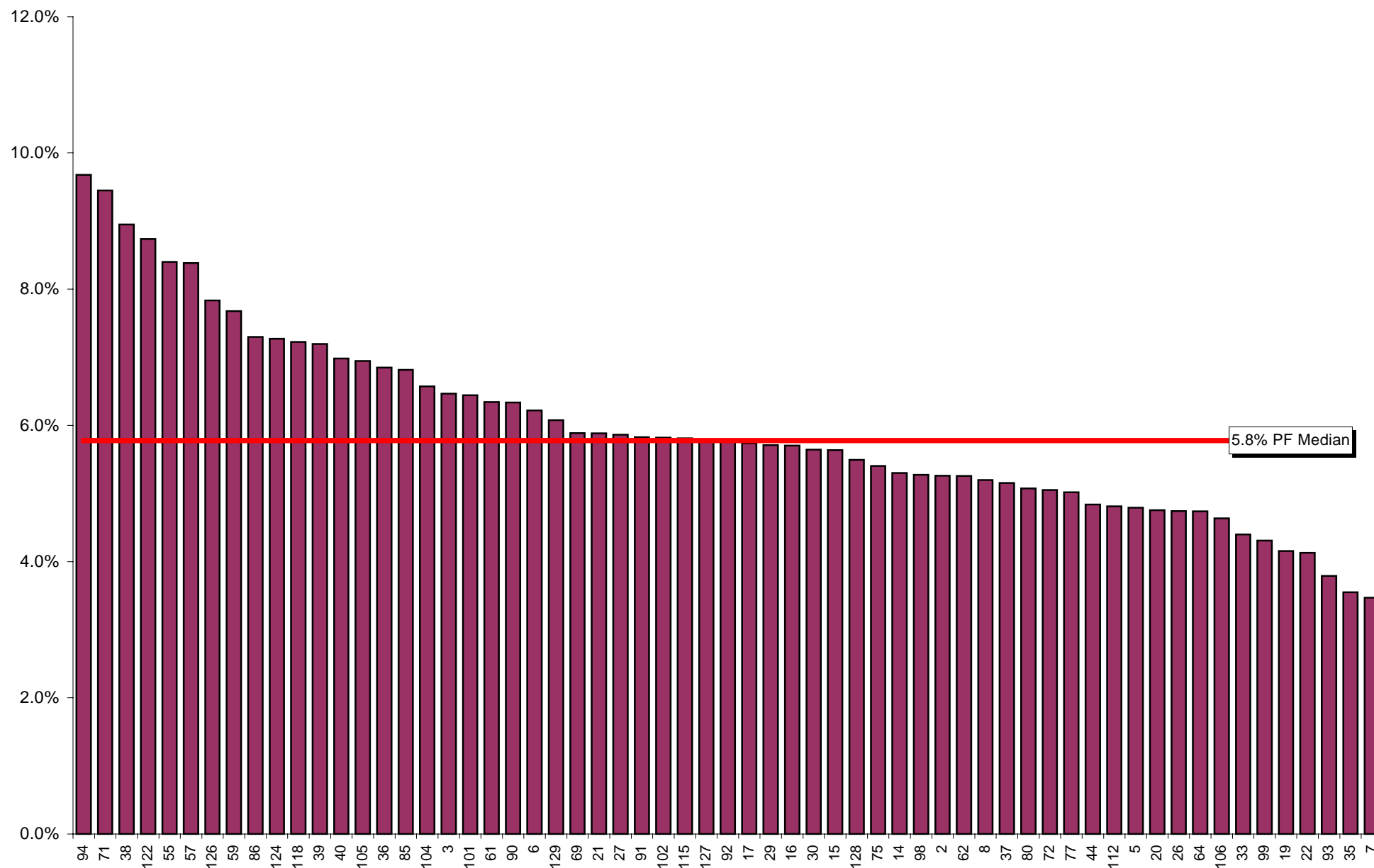
**PRELIMINARY**

## Annualized Total Fund Returns

3 Years Ending

June 30, 2001

- 61 funds provided total fund return data



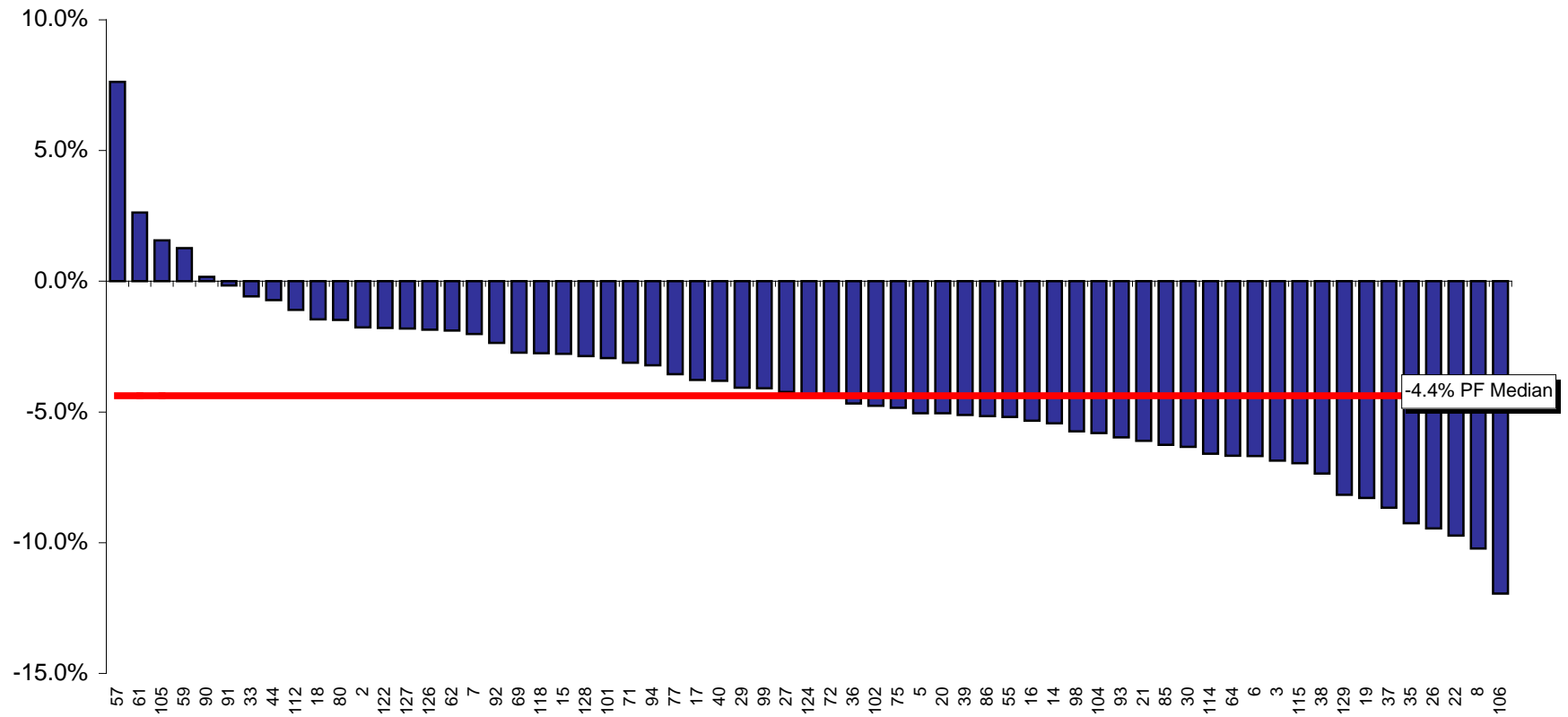
**PRELIMINARY**

## Annualized Total Fund Returns

1 Year Ending

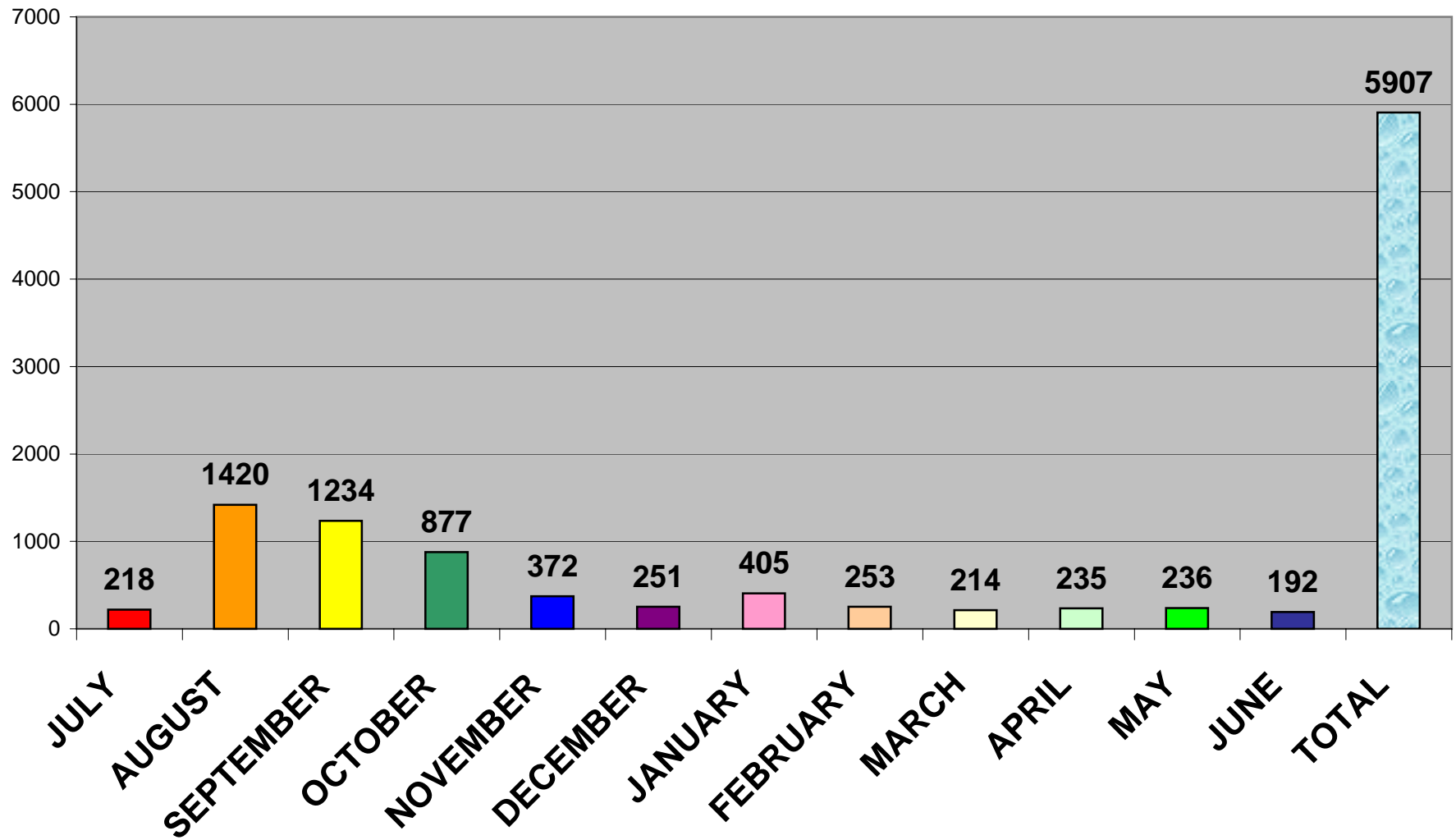
June 30, 2001

- 63 funds provided annual total fund return data

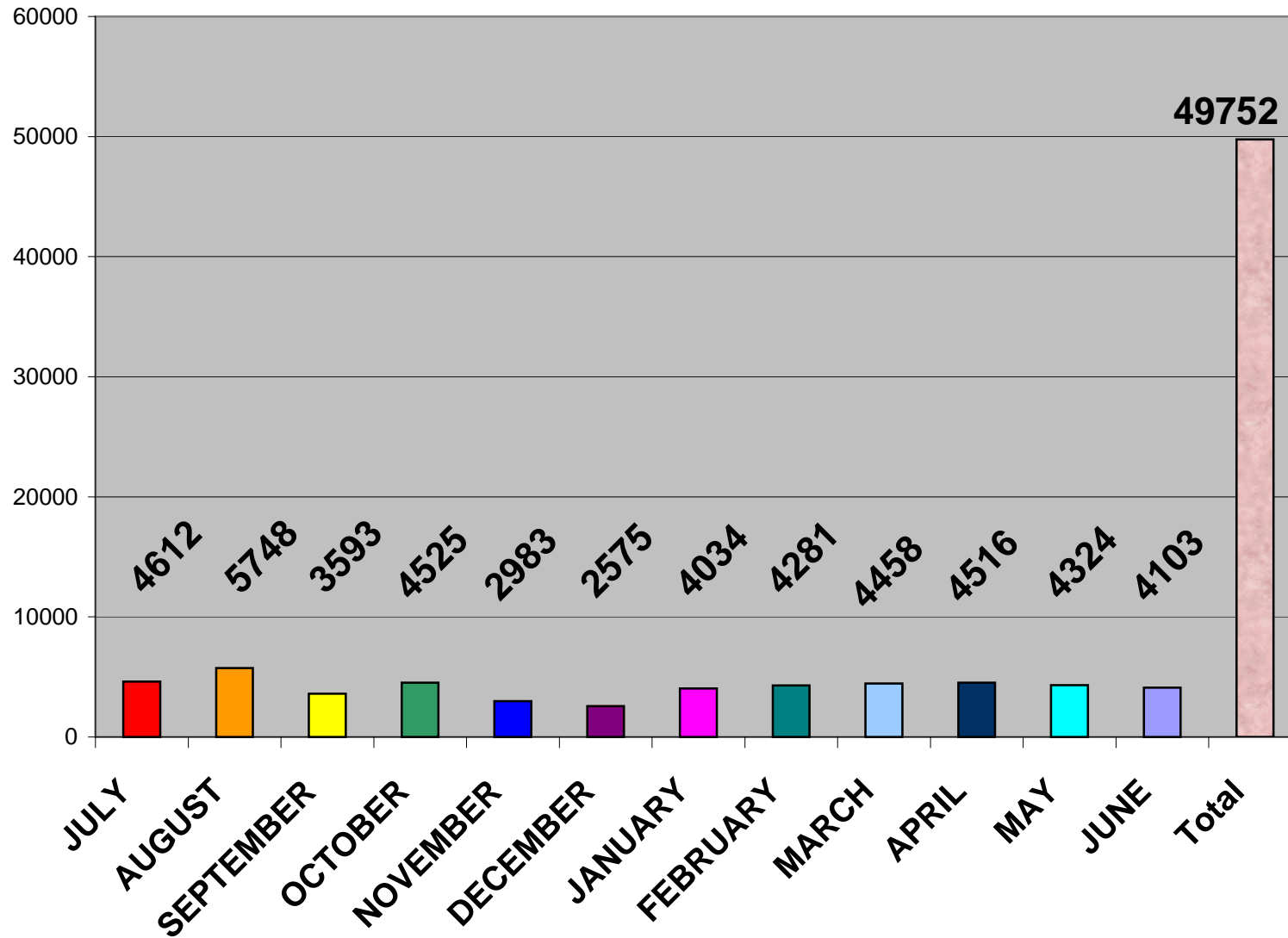


## *Statistical Section*

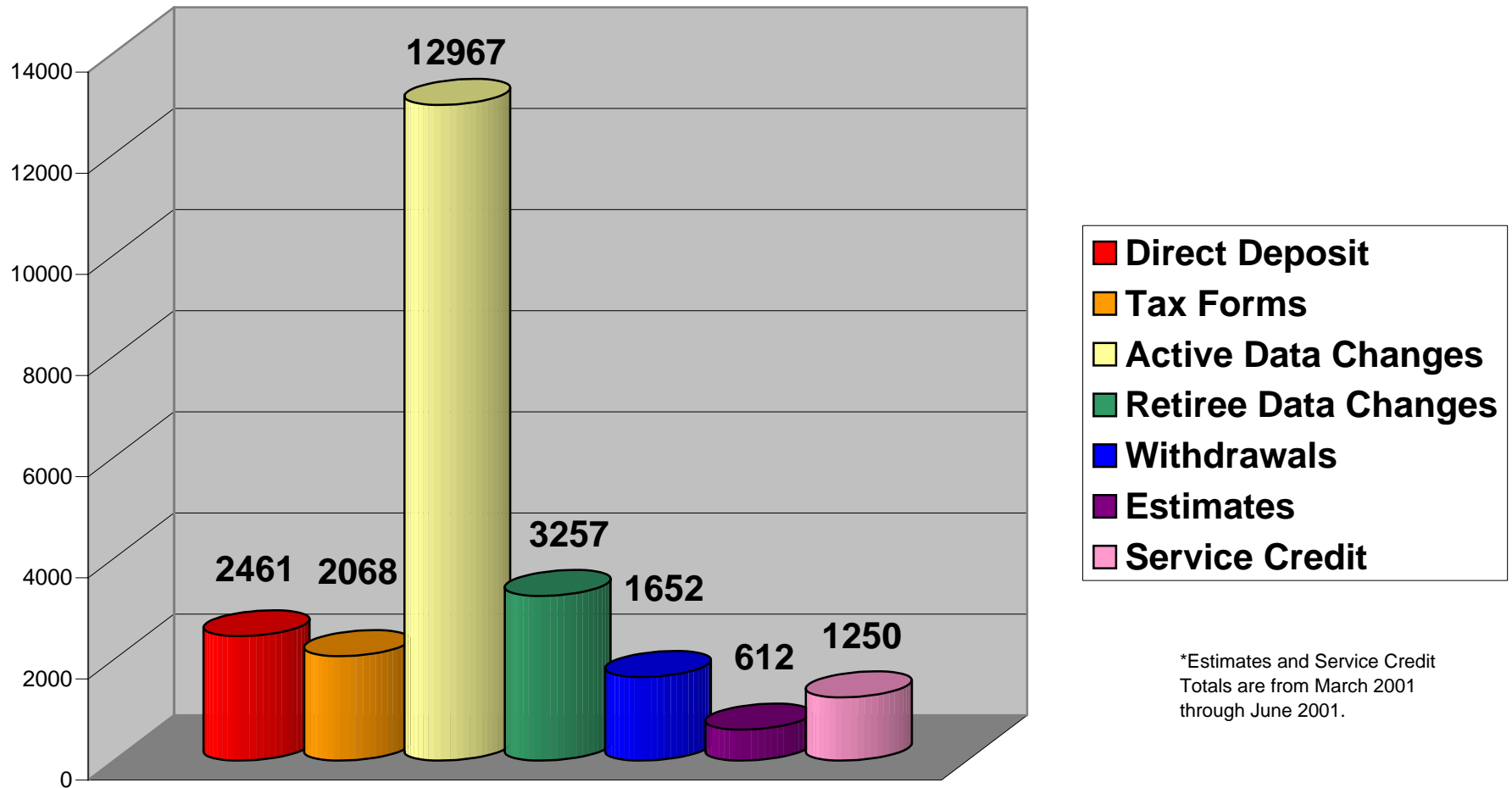
**FISCAL YEAR TOTAL OF NEW ENROLLMENTS  
2000-01**



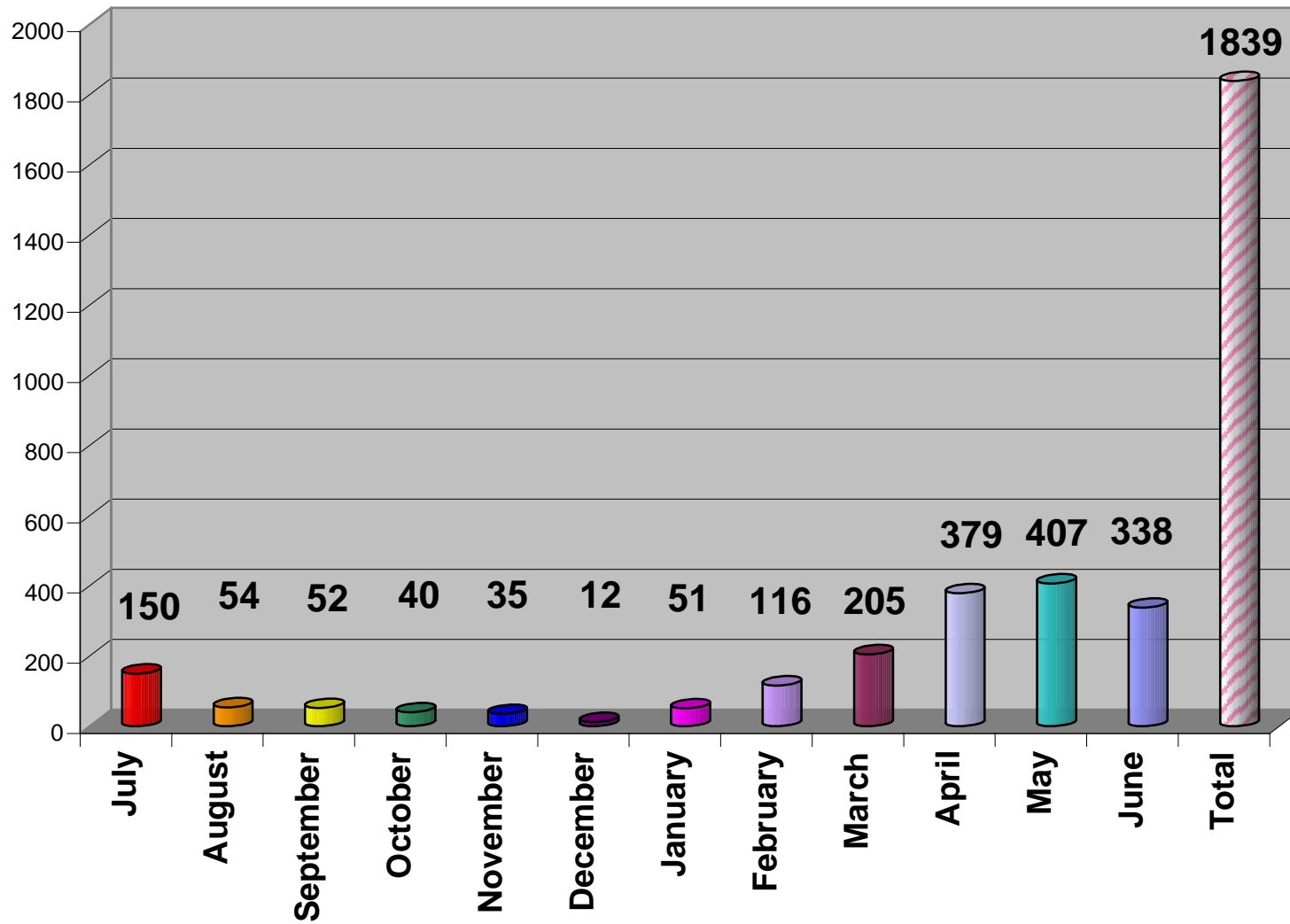
**FISCAL YEAR TOTAL OF INCOMING CALLS  
2000-01**



**Fiscal Year Tracking of Incoming Form Requests  
2000-01\***



**Fiscal Year Outline of Retirement Applications  
2000-01**





*Operations, Accomplishments and Goals*

# Operations, Accomplishments and Goals

## **Fiscal Year 2001**

### **Anticipated Accomplishments**

- ◆ Pursue and complete an Investment Fiduciary Audit  
*Completed*
- ◆ Begin and complete a Benefits Management Benchmarking process  
*Completed*
- ◆ Improve home page on the World Wide Web  
*Web designers currently revising web page*
- ◆ Allow members to access their quarterly statements via the internet  
*Completed*
- ◆ Allow school corporations to transmit their employer payment via the internet  
*Currently involved testing phase; implementation after tests are complete*
- ◆ Seek to develop retirement outreach programs using laptops and digital connections to meet with prospective retirees in their districts  
*Full development will begin when the SIRIS project is complete*
- ◆ Develop a standard internal audit process as well as review of employer data and recruit staff  
*Partially completed- an Internal Auditor was recently hired and the processes are being developed*
- ◆ Enhance investment option of employer assets  
*Completed; Large Cap Value and Large Cap Growth managers added*

## **Fiscal Year 2002**

### **Anticipated Goals & Accomplishments**

- ❖ Improve benefit estimate format and clarity
- ❖ Enhance call center performance by utilizing the latest technology
- ❖ Issue an annual benefit entitlement statement to active members
- ❖ Complete feasibility and implementation study for obtaining record-keeping services for our Annuity Savings Investment Account program
- ❖ Develop a process for employers to report employee contributions on a “payroll by payroll” basis
- ❖ Continue Benefits Management Benchmarking process
- ❖ Establish in-service programs for staff
- ❖ Begin and complete a Benchmarking of Investment Processes
- ❖ Continue improvement of member education processes
- ❖ Work with PERF to jointly improved out-reach programs
- ❖ Seek to develop a variable annuity option

























































































































































